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C O N F I D E N T I A L PRETORIA 004438

SIPDIS

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TAGS: [PGOV](#) [PREL](#) [ETRD](#) [PINR](#) [IZ](#) [SF](#)

SUBJECT: SOUTH AFRICAN COMPANIES IMPLICATED IN IRAQI
OIL-FOR-FOOD SCANDAL

REF: A. PRETORIA 03513

[1](#)B. PRETORIA 02162

Classified By: CDA Jeff Hartley. Reasons: 1.4 (B&D).

[1](#)1. (U) Adding to SAG/ANC woes over the domestic political fall-out from President Mbeki's firing of former Deputy President Zuma for alleged corruption (Ref A), South African companies reportedly are implicated in the scandal-ridden UN Iraqi oil-for-food program. The Iraqi Government under Saddam Hussein used the program to try and influence South Africa's foreign policy by giving oil contracts to ANC-aligned companies, according to a report by an independent UN commission of inquiry.

[1](#)2. (U) On November 1, Deputy ForMin Aziz Pahad denied any sinister SAG involvement with the Iraqi oil for food program and was not convinced of any "violation" by South African companies. However, the Business Day newspaper reported November 3 that the SAG is considering whether to take action against several local companies that may have secured illicit contracts from Iraq under the UN oil-for-food program. Opposition Democratic Alliance Party leader Tony Leon has called for a national inquiry into the allegations. He suggested that ANC/SAG alleged involvement in the bribery scheme was reinforced by Imvume CEO and ANC insider Sandi Majali's business trip several years ago to Iraq accompanied by ANC Secretary-General Kgalema Motlanthe and national spokesperson Smuts Ngonyama.

[1](#)3. (U) The UN report does not assess whether SAG foreign policy was manipulated but lists foreign-policy initiatives supportive of Hussein's regime that the SAG launched at the same time as the Iraqi government was handing out substantial oil contracts. South African companies on the list include:

- Mocoh Services: Mvelaphanda Chairman and senior ANC member Tokyo Sexale reportedly served as a director for Mocoh, a UK-based company with a local subsidiary, Mocoh Services of South Africa. Mocoh allegedly received two oil allocations worth over \$70 million from the former Iraqi government and paid \$574,699 in kickbacks in turn. According to press reports, Mvelaphanda spokesman Chris Vick denied knowledge of any "surcharges" (i.e., kickbacks) paid and cut ties with Mocoh when informed of a possible surcharge on a future transaction. Vick said "Mvelaphanda does not pay bribes." He added that Mvelaphanda received legitimate dividends amounting to \$500,000 from the Iraqi oil allocations and said Mocoh Services South Africa had ceased operations in November [1](#)2000.

- Imvume: the company embroiled in the "Oilgate" scandal, which saw public money diverted to the ANC (Ref B).

- Montega: Montega is a partner of Imvume, headed by CEO Sandi Majali, listed on an Iraqi document as adviser to President Mbeki. Majali reportedly promised the Iraqi regime \$464,000 in kickbacks, but he denied the bribery allegation in the UN report.

- Omni Oil: Omni and Montega reportedly obtained contracts for 13-million barrels of oil (valued at \$145.5 million).

[1](#)4. (C) Comment: For the SAG/ANC, timing could not be worse of the UN report's linkage of South African companies close to the SAG/ANC to the Iraqi "oil-for-food" scandal. President Mbeki is unlikely to welcome this connection since Sexwale and Majali are generally viewed as sympathetic to Mbeki's "camp." Zuma could use the issue to attack Mbeki for being soft on corruption. The most vocal opposition party leader is taking full advantage to try and discredit the ANC-led government - but to no avail in post's review. From all indications, the ANC stands to win big in upcoming local elections, notwithstanding "Oilgate," fall-out from Zuma's firing, and the more pressing threat to the SAG/ANC - failure to date to fully deliver municipal services and jobs for the largely Black and poor grass roots base of the ANC. End comment.

HARTLEY